

**REPORT OF THE AUDIT OF THE
HOPKINS COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

September 16, 2004



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HOPKINS COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

September 16, 2004

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2003 Taxes for Hopkins County Sheriff as of September 16, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$14,197,661 for the districts for 2003 taxes, retaining commissions of \$388,991 to operate the Sheriff's office. The Sheriff distributed taxes of \$13,788,047 to the districts for 2003 Taxes. Taxes of \$586 are due to the districts from the Sheriff and refunds of \$679 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
Honorable Frank Latham, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the Hopkins County Sheriff's Settlement - 2003 Taxes as of September 16, 2004. This tax settlement is the responsibility of the Hopkins County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hopkins County Sheriff's taxes charged, credited, and paid as of September 16, 2004, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
Honorable Frank Latham, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed
January 18, 2005

HOPKINS COUNTY
FRANK LATHAM, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

September 16, 2004

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 1,365,207	\$ 478,648	\$ 6,896,677	\$ 1,538,750
Tangible Personal Property	276,830	106,485	1,058,394	735,895
Intangible Personal Property				304,006
Fire Protection	1,379			
Increases Through Exonerations	1,872	619	9,455	2,111
Additional Billings	2,720	917	15,432	4,795
Franchise Corporation	238,092	72,106	994,462	
Unmined Coal - 2001 Taxes	2,918	956	14,719	3,422
Unmined Coal - 2002 Taxes	34,786	11,395	178,728	40,484
Unmined Coal - 2003 Taxes	34,417	11,375	173,834	38,791
Oil and Gas Property Taxes	6,603	2,182	33,348	7,442
Bank Franchises	118,305			
Omitted Coal Penalties & Interest	985	325	4,989	1,116
Penalties	9,994	3,452	49,949	12,197
Adjusted to Sheriff's Receipt	(139)	(34)	(658)	(225)
Gross Chargeable to Sheriff	<u>\$ 2,093,969</u>	<u>\$ 688,426</u>	<u>\$ 9,429,329</u>	<u>\$ 2,688,784</u>
<u>Credits</u>				
Exonerations	\$ 22,467	\$ 7,321	\$ 112,348	\$ 33,157
Discounts	27,553	9,056	121,324	41,229
Delinquents:				
Real Estate	33,395	11,798	168,719	37,646
Tangible Personal Property	2,780	767	10,626	8,097
Intangible Personal Property				3,504
Unmined Coal - 2002 Taxes	2,553	824	13,123	2,972
Unmined Coal - 2003 Taxes	1,664	550	8,405	1,876
Uncollected Franchise	2,564	722	10,033	
Omitted Penalty & Interest Credited	769	252	3,886	867
Total Credits	<u>\$ 93,745</u>	<u>\$ 31,290</u>	<u>\$ 448,464</u>	<u>\$ 129,348</u>

The accompanying notes are an integral part of this financial statement.

HOPKINS COUNTY
FRANK LATHAM, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES
September 16, 2004
(Continued)

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Taxes Collected	\$ 2,000,224	\$ 657,136	\$ 8,980,865	\$ 2,559,436
Less: Commissions *	<u>85,297</u>	<u>27,420</u>	<u>167,210</u>	<u>109,064</u>
Taxes Due	\$ 1,914,927	\$ 629,716	\$ 8,813,655	\$ 2,450,372
Taxes Paid	1,912,420	628,518	8,799,394	2,447,715
Refunds (Current and Prior Year)	<u>2,875</u>	<u>930</u>	<u>13,963</u>	<u>2,948</u>
Due Districts or (Refunds Due Sheriff)		***	**	
as of Completion of Fieldwork	<u>\$ (368)</u>	<u>\$ 268</u>	<u>\$ 298</u>	<u>\$ (291)</u>

* Commissions:

10% on	\$ 10,000
4.25% on	\$ 5,191,172
1.87% on	\$ 8,688,139
1.62% on	\$ 292,726
1% on	\$ 15,624

** School Districts:

Hopkins County Board of Education	\$ 318
Dawson Springs Board of Education	<u>(20)</u>
Due Districts or (Refunds Due Sheriff)	<u>\$ 298</u>

*** Special Taxing Districts:

Health District	\$ 63
Extension District	4
West Fork Watershed District	85
Flat Creek Watershed District	46
Earlington Fire District	<u>70</u>
Due Districts	<u>\$ 268</u>

The accompanying notes are an integral part of this financial statement.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT

September 16, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 16, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
September 16, 2004
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was August 22, 2003 through August 6, 2004.

B. Unmined Coal Taxes

1. 2001 and 2002 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2002. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 14, 2003 through October 6, 2003.

2. 2003 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2003. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 30, 2004 through August 6, 2004.

Note 4. Interest Income

The Hopkins County Sheriff earned \$1,675 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of January 18, 2005, the Sheriff was due a refund of \$110 interest from the school districts and owed \$674 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Hopkins County Sheriff collected \$56,062 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Hopkins County Sheriff collected \$6,060 of advertising costs and \$6,645 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
September 16, 2004
(Continued)

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
The Honorable Frank Latham, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Hopkins County Sheriff's Settlement - 2003 Taxes as of September 16, 2004, and have issued our report thereon dated January 18, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hopkins County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County Sheriff's Settlement - 2003 Taxes as of September 16, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



The Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
The Honorable Frank Latham, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 18, 2005

